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Message Text

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ORIGIN EUR-03

INFO OCT-01 ISO-00 /004 R

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DRAFTED BY EUR/WE:JVSMITH
APPROVED BY EUR/WE:REBARBOUR
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S E C R E T STATE 032982

FOLLOWING REPEAT VALLETTA 0141 ACTION SECSTATE 30 JAN 76
QUOTE

S E C R E T VALLETTA 0141

NOFORN

E.O. 11652: XGDS-3
TAGS: PFOR, US, MT
SUBJ: MALTA - ANNUAL POLICY ASSESSMENT 1976

REF: 75 STATE 289641, 291794, 75 VALLETTA 0326

1. SUMMARY: 1976 IS ELECTION YEAR IN MALTA. AFTER FIVE YEARS OF MINTOFF'S FLAMBOYANT LEADERSHIP, THE MALTESE MUST NOW DECIDE WHICH OF THEIR TWO POLITICAL PARTIES WILL BE RESPONSIBLE FOR SEEKING SOLUTIONS TO THEIR COUNTRY'S ENDEMIC ECONOMIC PROBLEMS AS THE BRITISH MILITARY WITHDRAWAL BEGINS. BOTH MINTOFF'S LABORITES AND THE OPPOSITION NATIONALISTS BELIEVE THAT MALTA'S STRATEGIC MEDITERRANEAN LOCATION WILL STILL BE SUFFICIENTLY
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VALUABLE TO NATO TO JUSTIFY CONTINUTION AFTER 1979 OF SOME FORM OF ANNUAL MONETARY SUBSIDY. WE HAVE SERIOUS DOUBTS THAT THIS WILL BE THE CASE. BUT, IN ANY EVENT, IT WILL BE ESSENTIAL FOR THE USG AND NATO TO REACH

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CONCLUSIONS CONCERNING MALTA'S FUTURE AS SOON AS POSSIBLE AFTER THE 1976 ELECTIONS, IF WE ARE TO AVOID ANOTHER CRISIS MANAGEMENT EXERCISE RESULTING FROM MALTESE BLACKMAILING TACTICS. BILATERAL U.S. INTERESTS IN MALTA HAVE BEEN, AND WILL REMAIN, LIMITED. AND IF NATO'S SOUTHERN TIER REMAINS INTACT, IT MAY WELL BE THAT MALTA IN THE 1980'S MIGHT NOT MATTER THAT MUCH TO THE OTHER ALLIANCE MEMBERS EITHER. IF SO, THIS WILL COME AS A RUDE SHOCK TO THE MALTESE. END SUMMARY.

2. THE SETTING: MALTA IN 1976

AFTER ALMOST FIVE YEARS UNDER THE DYNAMIC LEADER-SHIP OF PRIME MINISTER DOM MINTOFF, MALTA HAS REACHED A CROSSROADS. 1976 IS ELECTION YEAR IN THIS SMALL MEDITERRANEAN CITY-STATE. THE 325,000 MALTESE APPEAR TO BE FAIRLY EVENLY DIVIDED BETWEEN SUPPORT FOR MINTOFF'S SOCIALIST, RATHER PRAGMATIC LABOR PARTY AND THE CONVSERVATIVE, FREE ENTERPRISE-ORIENTED OPPOSITION NATIONALIST PARTY UNDER FORMER PRIME MINISTER GIORGIO BORG OLIVIER.

THE ELECTION WHICH BROUGHT MINTOFF TO POWER IN THE SUMMER OF 1971 WAS A VERY CLOSE ONE AND THE "IT'S TIME FOR A CHANGE" SYNDROME WAS LARGELY RESPONSIBLE FOR HIS ELCTION. NOW, AFTER MUCH EXPERIENCE WITH MINTOFF'S FLAMBOYANT, "ONE-MAN SHOW" STYLE LEADERSHIP, THE MALTESE MUST DECIDE WHETHER THEY WANT ANOTHER FIVE YEARS OF MINTOFF'S ANTICS, OR WHETHER THEY PREFER A RETURN TO THE QUIETER DAYS OF NATIONALIST PARTY ADMINISTRATION.

THE MALTESE PARLIAMENT'S MANDATE EXPIRES IN AUGUST 1976, AND A GENERAL ELECTION IS REQUIRED WITHIN THREE MONTHS OF DISSOLUTION, OR BY NOVEMBER 1976. IT IS PROBABLE THAT MINTOFF WILL CALL THE
SECRET

ELECTION IN THE LATE SUMMER OR EARLY FALL, WHENEVER HE DECIDES THE TACTICAL ADVANTAGE FOR THE LABOR PARTY IS GREATEST. BOTH SIDES ARE READY FOR THE CONTEST, AND ANXIOUSLY AWAITING THE SHOWDOWN.

FORECASTS OF THE ELECTION OUTCOME ARE MANY, AND ALL HIGHLY QUESTIONABLE. THERE WILL BE A LARGE NUMBER OF NEW, UNTESTED VOTERS PARTICIPATING IN THE 1976 ELECTION. (SINCE 1971, THE VOTING AGE IN MALTA HAS BEEN LOWERED FROM 21 TO 18.) SOME 40,000 MALTESE OUT OF A TOTAL ELECTORATE OF 210,000 WILL BE VOTING FOR THE FIRST TIME. THERE HAVE BEEN NO BY-ELECTIONS IN FIVE YEARS, AND THERE

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ARE NO PUBLIC OPINION POLLS IN MALTA. AS A RESULT, THE 1976 OUTCOME IS PROBLEMATICAL. THE GENERAL BELIEF IS THAT NEITHER PARTY WILL WIN WITH A LARGE MAJORITY. PREDICTIONS RANGE FROM A FIVE-SEAT LABOR MARGIN TO A FIVE-SEAT ATIONALIST ONE (THERE WILL BE A TOTAL OF 651 PARLIAMENTARY SEATS CONTESTED FOR 5#3 7,8:-.34-) #97 3 9* 43043 3,5-58;3), WITH BOTH PARTIES PROFESSING CONFIDENCE THAT THEY WILL COME OUT ON TOP.

AT THIS STAGE, BEFORE THE REAL ELECTION CAMPAIGN BEGINS, THE EMBASSY LEANS TO THE VIEW THAT MINTOFF AND THE LABOR PARTY PROBABLY WILL BE REELECTED IN A VERY CLOSE CONTEST. HOWEVER, MINTOFF HAS STEPPED ON MANY TOES, AND WE WOULD NOT BE SURPRISED AT A NATIONALIST VICTORY. THEREFORE, THIS ASSESSMENT TAKES BOTH PTSSIBILITIES INTO ACCOUNT.

AS FAR AS U.S. INTERESTS HERE ARE CONCENED, WE SHOULD (WITHIN REASON) BE ABLE TO WORK WITH EITHER ANOTHER LABOR GOVERNMENT, OR WITH A NEW NATIONALIST GOVERNMENT, DURING THE CRUCIAL POST ELECTION PERIOD WHEN MALTA'S FUTURE MUST BE DETERMINED' IF IT IS TT BE FIVE MORE YEARS OF MINTOFF'S ACTIVIST BUT ERRATIC LEADERSHIP, AT LEAST WE HAVE LEARNED TO LIVE AND DEAL WITH HIM, AND HE IS NOT NEARLY AS MUCH OF AN UNKNOWN QUANTITY TODAY AS HE WAS DURING THE 1971-72 NATO BASE "CRISIS." IF IT IS TO BE A RETURN TO

BORG OLIVIER AND THE NATIONALISTS, THERE WILL BE AN OPPORTUNITY FOR CLOSER TIES ZETWEEN MALTA AND THE U.S. (AND POSSIBLY FOR RESUMPTION OF SIXTH FLEET VISITS), BUT ONLY AT A STIFF PICE. THE NATIONALISTS WILL, OF COURSE, EXPECT THE WEST TO DO MORE FOR THEM THAN HAS BEEN DONE FOR MINTOFF' THIS WOULD INCLUDE PAINFUL REQUESTS FOR ADDITIONAL U.S. BILATERAL ASSISTANCE.

3. U.S. INTERESTS IN MALTA AND WHERE MALTA FITS INTO U.S. POLICY PRIORITIES

U.S. INTERESTS IN MALTA ARE LIMITED, ESPECIALLY WHEN COMPARED WITH THOSE OF THE BRITISH AND WITH THOSE OF THE MEDTERRANEAN NATO MEMBERS (PARTICULARLY ITALY).

TRAEITIONALLY, THE U.S. HAS NOT HAD MAJOR POLITICAL TIES WITH MALTA, AND OUR ECONOMIC RELATIONS (TRADE, INVESTMENT, ETC.) HAVE BEEN ONLY A MINOR FACTOR IN MALTESE DEVELOPMENT. MALTA REMAINS AT LEAST FOR THE PRESENT, MUCH MORE OF A CUROPEAN AND BRITISH PROBLEM THAN AN AMERICAN ONE.

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THE MAJOR U.S INTEREST IN MALTA IS NOT A
BILATERAL ONE, BUT PART OF THE MULTILATEAL CONCERN
OF THE NATO ALLIANCE REGARDING MEDITERRANEAN SECURITY.
WITHIN THIS CONTEST, THE EMBASSY CONSISTENTLY HAS MADE
MAJOR EFFORTS TO COORDINATE U.S. POLICIES AND
OBJECTIVES IN MALTA WITH THOSE OF OTHER NATO GOVERNMENTS
REPRESENTED HERE, AND ESPECIALLY WITH THE BRITISH
HIGH COMMISSION. WE BELIEVE THIS TO BE NOT ONLY
VERY DESIRABLE FROM OUR OWN POINT OF VIEW, BUT
ESSENTIAL IN PROTECTING THE NATO GOVERNMENTS FROM
THE BITTERLY FAMILIAR "DIVIDE-AND-CONQUER) TACTICS
OF MINTOFF.

ALTHOUGH BILATERAL U.S./MALTESE RELATIONS HAVE
REMAINED RELATIVELY QUIET AND REASONABLY HARMONIOUS
OVER THE PAST SEVERAL YEARS, THESE FORTUTITOUS
CIRCUMSTANCES COULD BE ALTERED AT ANY TIME BY MINTOFF'S
WELL KNOWN PENCHANT FOR MISCHIEF-MAKING. WE DO
SECRET

NOT EXPECT THIS TO HAPPEN, BUT DURING AN ELECTION CAMPAIGN
ANYTHING IS POSSIBLE.

4. BASIC U.S. POLICY OBJECTIVES IN MALTA OVER THE
NEAR TERM
UNTIL THE 1976 MALTESE LENEAL ELECTIONS ARE OVER,
THE MAJOR U.S. POLICY OBJECTIVES SHOULD REMAIN UNCHANGED
FROM THOSE OF THE PAST SEVERAL YEARS. THESE HAVE BEEN
DEFINED PREVIOUSLY AS FOLLOWS:

A. DENIAL OF SOVIET ACCESS TO MALTA;
B. RETENTION OF MALTA'S MILITARY FACILITIES FOR
THE WEST, INCLUDING SIXTH FLEET ACCESS;
C. CONTINUATION OF MALTA'S TIES TO THE WEST.

THESE POLICY OBJECTIVES ARE BASED ON THE JUDGEMENT
THAT THE U.S. AND NATO STRATEGIC POSITION IN THE
MEDITERRANEAN WOULD BE SIGNIFICANTLY (PERHAPS UNACCEPTABLY)
ALTERED SHOULD MALTESE MILITARY FACILITIES BECOME
AVAILABLE TO THE SOVIET UNION. BUT IS THIS A REAL
POSSIBILITY? FORTUNATELY, MINTOFF DOES NOT WANT SOVIET
ACCESS TO MALTA EITHER. ONE OF THE FUNDAMENTAL TENES
OF HIS FOREIGN POLICY CONTINUES TO BE THE AVOIDANCE OF
INVOLVEMENT WITH EITHER OF THE SUPERPOWERS; HENCE,
NEITHER SOVIET NO U.S. FLEETS ARE WELCOME.

WHILE NOT AS CRUCIAL, NATO ACCESS TO MALTA REMAINS
AN IMPORTANT FACTOR IN ALLIANCE DEFENSE PLANNING, AT
LEAST IN THEORY. AT THE TIME OF THE NINTOFF-GENERATED
"CRISIS" OF 1971-72 OVER THE NATO PRESENCE HERE, IT
WAS FINALLY AGREED THAT THE ACHIEVEMENT OF THE ABOVE

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OBJECTIVES WAS WORTH THE ANNUAL PAYMENT OF A SUBSTANTIAL SUBSIDY TO THE MALTESE GOVERNMENT BY VARIOUS NATO MEMBERS, INCLUDING THE USG. ORIGINALLY SET AT 14 MILLION POUNDS STERLING PER YEAR, THE PAYMENT HAS BEEN ADJUSTED ANNUALLY TO COMPENSATE FOR FLUCTUATIONS IN THE EXCHANGE RATE OF THE BRITISH POUND. IT PROVIDES SOME DOLS 35 MILLION ANNUALLY IN DIRECT PAYMENTS TO THE MALTESE ECONOMY, AND WHEN ADDED TO THE LOCAL EXPENDITURES OF THE RESIDENT BRITISH FORCES AND THEIR FAMILIES, RESULTS IN PERHAPS DOLS 80 MILLION A YEAR IN MEASURABLE BENEFITS TO THE

MALTESE. THIS AMOUNTS TT SOME 25 PERCENT OF MALTA'S GNP.

MALTA HAS THEREFORE BENEFITED SUBSTANTIALLY DURING THE PAST FIVE YEARS FROM THE ATTAINMENT OF THE JOINT U.S./NATO OBJECTIVES CONCERNING THIS COUNTRY, AND THE PRESENT HIGH MALTESE STANDARD OF LIVING IS LARGELY DEPENDENT ON THIS FACT.

5. HOW WE HAVE ADVANCED U.S. POLICY OBJECTIVES IN HALTA OVER THE PAST YEAR
SINCE MARCH 1972, WHEN THE REVISED BRITISH/MALTESE MILITARY FACILITIES AGREEMENT (MFA) WAS SIGNED, MAJOR 72. POLICY OBJECTIVES HAVE BEEN ACHIEVED THROUGH THIS MEDIUM. THE AGREEMENT, WHICH RUNS UNTIL MARCH 31, 1979, SPECIFICALLY PROVIDES THAT THE GOVERNMENT OF MALTA SHALL NOT PERMIT THE FORCES OF ANY WARSAW PACT MEMBER (I.E., THE SOVIET UNION) TO BE STATIONED IN MALTA, OR TO USE MALTESE MILITARY FACILITIES.

THE CONTINUED ACHIEVEMENT OF THE PRIMARY OBJECTIVE OF SOVIET DENIAL DOES NOT REQUIRE ANY SPECIFIC U.S. ACTION, EXCEPT THE PAYMENT OF OUR SHARE (AMOUNTING TO DOLS 9.5 MILLION) OF THE ANNUAL NATO SUBSIDY. THE FUNDS ARE OBTAINED FROM A.I.D.-ADMINISTERED SUPPORTING ASSISTANCE APPROPRIATIONS.

THE SECOND MAJOR OBJECTIVE, NATO ACCESS TO MALTA, ALSO HAS BEEN ACHIEVED THROUGH THE MFA, WHICH PROVIDES THE UNITED KINGDOM HAS THE RIGHT TO STATION BRITISH FORCES IN MALTA AND TO USE MALTESE FACILITIES FOR THE "DEFENSE PURPOSES OF THE UNITED KINGDOM AND NATO." THE UTILIZATION OF MALTESE FACILITIES BY OTHER NATO FORCES HAS BEEN INFREQUENT. THERE HAVE BEEN SOME FRENCH AND ITALIAN NAVAL VISITS, AND A DUTCH COMMANDO GROUP TRAINED FOR A FEW WEEKS IN MALTA DURING 1975. NATO DOES, OF COURSE, DERIVE CONSIDERABLE BENEFIT FROM THE RAF AND BRITISH NAVAL FORCES BASED IN MALTA. HOWEVER, NATO CANNOT REALLY COUNT ON THE UTILIZATION OF MALTESE BASES IN ITS

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OPERATIONAL ACTIVITIES OR PLANNING. THERE CONTINUES
SECRET

TO BE A COMPLETE DENIAL OF ACCESS TO MALTA BY ANY
U.S. MILITARY TR NAVAL FORCES, INCLUDING THE SIXTH
FLEET AND THIS WILL CONTINUE TO BE THE CASE AS LONG
AS MINTOFF IS PIME MINISTER. HE IS UNYIELDING ON THIS
POINT.

THE GHIRD OBJECTIVE OF PRESERVING MALTA'S WESTERN
TIES HAS BEEN A DIFFICULT ONE TO ACHIEVE UNDER MINTOFF'
AND ANY SUCCESS IS HARD TO MEASURE. WHILE MAINTAINING
A PUBLIC LOVE--HATE RELATIONSHIP WITH THE BRITISH
(AS THE FORMER COLONIAL POWER), MINTOFF HAS OFFICIALLY
AND VIGOROUSLY REDIRECTED MALTESE FOREIGN POLICY
TOWARD SOLIDARITY WITH THE "NONALIGNED" WORLD. HE HAS
AVIDLY SOUGHT SUPPORT AND ECONOMIC ASSISTANCE FROM
SUCH NOW "FRIENDS" AS THE CHINESE, THE NORTH KOREANS,
THE LIBYANS, THE ARAB GULF STATES AND, IN FACT, ALMOST
ANY COUNTRY WILLING TO AID MALTESE DEVELOPMENT.
MINTOFF'S GOAL IN THIS IS TO "FREE" MALTA FROM ITS HISTORICAL
FORTRESS IMAGE, AND THE "DERADING" NECESSITY OF ACCEDING
MILITARY SUBSIDIES AND THE PRESENCE OF FOREIGN MILITARY
FORCES IN ORDER TO SURVIVE ECONOMICALLY.

IN THE PROCESS, MALTA HAS DRIFTED SUBSTANTIALLY
AWAY FROM THE WESTERN ORBIT, ALTHOUGH THE CONTINUED
BRITISH MILITARY AND CIVILIAN PRESENCE HERE HAS
HELPED CONSIDERABLY TO BLUNT THE EFFECTS OF MINTOFF'S
NON-ALIGNED POSTURING. MOST MALTESE GENERALLY REGARD
THEMSELVES AS EUROPEAN BY CULTURE, RELIGION, TRADITION
AND GENERAL ORIENTATION. AMONG NATIONALISTS, THERE
IS A STRONG DESIRE TO BE PART OF THE WESTERN WORLD
REPRESENTED BY THE EEC AND NATO. THERE IS A CONSIDERABLE
RESERVOIR OR GOOD WILL TOWARD THE EST HERE, INCLUDING
CLOSE PERSONAL, CULTURAL AND ECONOMIC TIES WITH THE
UNITED KINGDOM AND, TO A LESSER EXTENT, WITH ITALY.
THIS ALSO IS TRUE OF THE UNITED STATES, PARTIALLY
BECAUSE OF YEARS OF MALTESE EMIGRATION TO THE U.S., AND
ALSO BECAUSE AMERICAN VALUES AND ACHIEVEMENTS REMAIN
IMPORTANT EXAMPLES TO MANY MALTESE.

THE EMBASSY HAS, AND WILL CONTINUE, TO UTILIZE
THESE CURRENTS WITHIN MALTESE SOCIETY TO REINFORCE
SECRET

THE BELIEF HERE THAT MALTA'S WESTERN TIES REMAIN OF
GREATER LONG-RANGE VALUE THAN ANY TEMPORARY ADVANTAGES
THAT MIGHT BE OBTAINED FROM COZYING UP STILL FURTHER
TO THE THIRD WORLD. HOWEVER, THE MALTESE SUPPORT FOR

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"NEUTRALIST" AND "NONALIGNED" POLITICIES WILL NOT BE CHANGED WHILE MINTOFF IS IN POWER. DESPITE THIS, ALL WESTERN EMBASSIES HERE KEEP DOING THEIR BEST TO COUNTER-ACT THESE TRENDS, WITH PERHAPS SOME SUCCESS. WE WILL CONTINUE TO DO SO.

6. FUTURE TRENDS AND PROBLEMS THAT MIGHT AFFECT U.S. INTERESTS AND OBJECTIVES
UNTIL THE 1976 ELECTION IS BEHIND US, AND WE KNOW WHICH MALTESE POLITICAL PARTY THE U.S. AND NATO MUST DEAL WITH OVER THE NEXT FIVE YEARS, IT IS DIFFICULT TO PREDICT ALL THE PROBLEMS WHICH MIGHT HAVE A MAJOR EFFECT ON US.S. INTERESTS. HOWEVER, NO MATTER WHO WINS, CERTAIN ISSUES CAN BE IDENTIFIED, EVEN AT THIS EARLY STAGE.

FIRST, NEITHER THE LABOR PARTY NOR THE NATIONALIST PARTY EALLY HAS FIRM PLANS FOR WHAT HAPPENS TO MALTA AFTER 1977 (WHEN THE ALREADY SCHEDULED RUNDOWN OF BRITISH FORCES IN MALTA BEGINS), OR AFTER THE MARCH 1979 EXPIRATION OF THE MFA (WHEN THERE WILL NO LONGER BE ANY BRITISH MILITARY PRESENCE HERE).

MALTA IS NOT ONLY UNABLE TO DEFEND ITSELF MILITARILY, IT IS INCAPABLE EVEN OF ASSURING ITS OWN POLITICAL AND ECONOMIC INDEPENDENCE AFTER THE BRITISH LEAVE. MALTA IS VIRTUALLY WITHOUT NATURAL RESOURCES. ITS ECONOMIC VIABILITY, AT LEAST AT A POLITICALLY ACCEPTABLE STANDARD OF LIVING, IS CLEARLY DEPENDENT ON EITHER SOME FORM OF CONTINUED MONETARY SUBSIDY, OR ELSE A SIGNIFICANT NEW DEVELOPMENT SUCH AS THE DISCOVERY OF OFFSHORE OIL IN MALTESE WATERS. THIS LATTER POSSIBILITY IS ONLY SPECULATIVE AT THIS TAGE AND IN ANY EVENT, MUCH TOO FAR DOWN THE ROAD TO BE ELEVANT TO THIS ASSESSMENT.

TOURISM AND INTERNATIONAL RECOVERY WILL HELP THE MALTESE ECONOMIC DURING 1976-79, AND PROBABLY THEREAFTER. BUT THIS WILL NOT BE ENOUGH. THE INVESTMENT CLIMATE
SECRET

IN MALTA HAS BECOME VERY BAD DUE TO MINTOFF'S DOMESTIC POLICIES (NATIONALIZATION, EXPROPRIATION, BANKING CONTROL, TAX INCREASES, MANDATORY WAGE INCREASES, ETC.). NEW BUSINESS AND MANUFACTURING INITIATIVES ARE BADLY NEEDED TO COUNTERACT MALTA'S ENDEMIC UNEMPLOYMENT PROBLEM (12,000 OUT OF WORK FORCE OF 105,000 CURRENTLY ARE ON THE PUBLIC DOLE). EXTRAORDINARY EXPORT GROWTH WILL BE NEEDED TO MAINTAIN MALTA'S FAVORABLE BALANCE OF PAYMENTS AND TO OFFSET IMPORT REQUIREMENTS (MALTA HAS ALMOST NO RAW MATERIALS) AFTER 1979.

IN THE ABSENCE OF ANY REAL PLANS FOR MALTA'S FUTURE, BOTH POLITICAL PARTIES ARE NOW GROPING FOR ANSWERS.

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THE NATIONALISTS ARE TALKING BOTH PRIVATELY AND
PUBLICLY ABOUT SOME FORM OF NEW NATO SECURITY GUARANTEE
(POSSIBLY WITH A CONTINUED SMALL NATO MILITARY
PRESENCE BUT WITH A SIZEABLE SUBSIDY PROVIDED BY NATO COUNTRIES).
MINTOFF HAS NOT YET TIPPED HIS HAND OPENLY, BUT IT
IS HIGHLY LIKELY THAT HE MIGHT TRY TO MILK NATO AGAIN,
IN THE FORM OF A CONTINUING SUBSIDY, THIS TIME IN
RETURN FOR MALTA'S FUTURE "NEUTRALIZATION." MINTOFF
UNDOUBTEDLY ASSUMES A HIGH DEGREE OF WESTERN CONCERN
OVER A THREAT THAT THE SOVIETS, THE LIBYANS, OR THE
CHINESE, MIGHT REPLACE THE BRITISH AFTER 1979. WE
MUST THEREFORE BEAR IN MIND THAT BOTH MALTESE PARTIES
HAVE AN EXAGGERATED VIEW OF MALTA'S STRATEGIC IMPURTANCE
TO THE WEST AFTER 1979. IF THIS TURNS OUT NOT TO BE
THE CASE, THE MALTESE ARE IN FOR A RUDE SHOCK.

ONE POINT IS VERY CLEAR; MINTOFF WOULD LIKE NATO
TO TAKE A DECISION ABOUT MALTA AND ITS IMPORTANCE TO
THE WEST NOW, BEFORE THE ELECTION, TO PERMIT HIM TO
REBUT PRESENT CRITICIAMS FROM THE NATIONALISTS THAT
THE LABORITES HAVE NO COHERENT PLAN, EITHER TO PROVIDE
FOR MALTA'S SECURITY IN THE POST 1979 PERIOD, OR TO
COMPENSATE FOR ITS SUBSTANTIAL LOSS OF REVENUE WHEN THE
BRITISH FORCES LEAVE.

WE SEE NO REASON WHATEVER TO PLAY MINTOFF'S GAME
BY FALLING INTO THIS TRAP. THE ITALIANS ARE EXTREMELY
(ALMOST EXCESSIVELY) NERVOUS ABOUT MALTA'S FUTURE, AND
SECRET

MAY WELL PUSH NATO TO "DO COMETHING" ABOUT THIS PROBLEM
QUICKLY. HOWEVER, WHILE IT WOULD BE DESIRABLE FOR
NATO TO PROCEED AS SOON AS POSSIBLE WITH A FULL REVIEW
OF FUTURE POLICY TOWARD MALTA, SO THAT THE INITIATIVE
IS NOT LEFT WITH THE MALTESE, WE BELIEVE THAT IT WOULD
BE ADVISABLE FOR NATO TO WAIT UNTIL AFTER THE MALTESE
ELECTION BEFORE REACHING ANY FINAL DECISIONS. (THE
TIMETABLE SUGGESTED IN 75 USNATO 6665 APPEARS TO FIT
THESE CRITERIA VERY WELL.)

AMONG THE QUESTIONS WHICH THE USG AND NATO SHOULD
ANSWER IN THIS REVIEW WOULD BE THE FOLLOWING:

A. IS THE DENIAL OF SOVIET ACCESS TO MALTA STILL
NATO'S MAJOR CONSIDERATION? IS THIS STILL THE MAJOR
POLICY OBJECTIVE OF THE U.S. CONCERNING MALTA? IN
THE ABSENCE OF A NATO MILITARY/STRATEGIC ASSESSMENT
OF MALTA'S IMPORTANCE IN THE MEDITERRANEAN, WE WILL
NOT BE ABLE TO MAKE AN INTELLIGENT JUDGMENT ON THIS.

B. IS THE MALTESE/LIBYAN CONNECTION A MAJOR PROBLEM
FOR NATO OR THE U.S.? ALTHOUGH NO LIKELY, COULD WE

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ACCEPT A LIBYAN MILITARY PRESENCE IN MALTA AFTER 1979?
THE CLOSE LIBYAN CONNECTION, AS PRESENTLY CONSTITUTED,
IS A HIGH PERSONAL ONE, AND WILL NOT OUTLAST THE
DEPARTURE OF EITHER MINTOFF OR GADHAFI. THE NATIONALISTS
INSIST THEY COULD MAINTAIN GOOD RELATIONS WITH LIBYA
AS WELL, BUT IT IS MOST UNLIKELY THAT THEY WOULD PERMIT
A LIBYAN MILITARY PRESENCE IN MALTA.

C. IS THE CONTINUING CHINESE PRESENCE IN MALTA
(CURRENTLY ESTIMATED SOME 350) OF CONCERN TO NATO
OR THE U.S.? THUS FAR, THE CHINESE IN MALTA HAVE
APPEARED TO BE WORKING TECHNICIANS WHO KEEP THEMSELVES
BUSY ON THE VARIOUS INDUSTRIAL PROJECTS THEY ARE HELPING
TO ESTABLISH (DOCKYARD, GLASS, CHOCOLATE AND FURNITURE
FACTORIES, ETC.). THEIR PRESENCE ON THE ISLAND IS
LARGELY UNOBTRUSIVE AND SEEMS TO BE QUITE LIMITED AS
FAR AS ANY POLITICAL EFFECT ON THE AVERAGE MALTESE IS
CONCERNED.

SECRET

D. IS MALTA'S DAY AS A FORTRESS AND A MAJOR NAVAL
AND AIR BASE OVER? WOULD A TRULY "NEUTRAL" MALTA
(WITHOUT A MAJOR POWER MILITARY PRESENCE) BE POSSIBLE
AND ACCEPTABLE DURING THE 1980-S?

E. COULD A CLOSER MALTESE ASSOCIATION WITH THE
EEC OFFER A POSSIBLE ECONOMIC SOLUTION TO MALTA'S POST-
1979 PROBLEMS?

F. TO BE BLUNT, DOES IT MATTER TO THE WEST WHAT
HAPPENS TO MALTA AFTER 1979?

SUCH CONSIDERATIONS ARE DIFFICULT TO EVALUATE AT
THIS POINT. BUT THE BRITISH HAVE STATED THAT THEIR
DECISION TO LEAVE MALTA BY 1979 IS FIRM AND IRREVOCABLE.
THEREFORE, MALTA'S IMPORTANCE TO WESTERN SECURITY IN
THE MEDITERRANEAN MUST BE REASSESSED, AND ITS VALUE
TO THAT SECUTITY DETERMINED, BEFORE THAT DATE.
THE U.S. ROLE IN THIS PROCESS SHOULD BE TO ASSURE THAT
OUR OWN EVALUATION OF MALTA'S IMPORTANCE IS COMPLETED
IN TIME FOR THE USG TO PLAY AN ACTIVE ROLE IN THE
SUBSEQUENT NATO STUDY OF THE SUBJECT.

WE MUST REMEMBER THAT WHATEVER MALTESE GOVERNMENT
EMERGES FROM THE ELECTION THIS YEAR--LABOR OR NATIONALIST
--IT WILL SEEK TO CAPITALIZE ON MALTA'S STRATEGIC LOCATION
TO OBTAIN FROM THE WEST (1) SOME KIND OF PHYSICAL SECURITY
OR GUARANTEE OF NEUTRALITY AND (2) HEFTY COMPENSATION
FOR THE DRASTIC LOSS OF REVENUE RESULTING FROM THE
BRITISH DEPARTURE.

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THE LATTER POINT MEANS THAT WE, AS PART OF NATO, WILL BE EXPECTED TO CONTINUE TO HELP SUPPORT MALTA-- AS WE HAVE SINCE 1972. BUT WOULD CONGRESS STAND STILL FOR FURTHER CONTRIBUTIONS TO MALTA, A COUNTRY WHICH (UNDER MINTOFF) REGULARLY VOTES AGAINST US IN THE UN AND WHICH WILL NOT PERMIT EVEN A BRIEF PORT VISIT BY A USN VESSEL? VIEWED FROM HERE, WE THINK NOT.

7. POLICY RECOMMENDATIONS

THE EMBASSY RECOMMENDS THAT U.S. ACTIONS VIS-A-VIS MALTA DURING THE COMING YEAR SHOULD BE GUIDED BY THE FOLLOWING CRITERIA:

A. THE EMBASSY SHOULD CONTINUE TO MAINTAIN A LOW PROFILE IN ITS OFFICIAL DEALINGS WITH THE GOM, WHILE SEEKING IN EVERY WAY TO PROMOTE FRIENDLY BILATERAL RELATIONS AS THE USG HAS LITTLE LEVERAGE ON THE GOM, IT WOULD BE BEST TO CONTINUE TO ALLOW THE BRITISH, AND TO A LESSER EXTENT OTHER NATO GOVERNMENTS REPRESENTED HERE (ITALIANS, GERMANS, FRENCH), TO TAKE THE LEAD WITH MINTOFF WHENEVER APPROPRIATE.

B. THE EMBASSY SHOULD MAINTAIN A CAREFUL NEUTRALITY DURING THE MALTESE ELECTION CAMPAIGN. OFFICIAL CONTACTS AND PERSONAL RELATIONS WITH BOTH LABOR AND NATIONALIST LEADERS SHOULD BE CONTINUED AND BROADENED, BUT THE EMBASSY SHOULD AVOID ANY INDICATION OF PARTIALITY TOWARD THE OUTCOME.

C. THE USG (AND THE OTHER NATO GOVERNMENTS) SHOULD AVOID ANY ATTEMPTS TO BUY MINTOFF'S FAVOR BEFORE THE ELECTION, EITHER BILATERALLY OR MULTILATERALLY. MINTOFF WILL, OF COURSE, TAKE ANYTHING HE CAN BEG, BORROW OR STEAL FROM ANYONE, BUT WITHOUT SO MUCH AS A "THANK YOU" IN RETURN. SUCH INITIATIVES NOW WOULD BE WASTED AND WOULD BE SEEN BY THE NATIONALISTS AS TAKING SIDES IN THE ELECTION. THE PREVIOUS U.S. BILATERIAL ASSISTANCE PROGRAMS, RESULTING FROM THE 1971-72 NATO BASE NEGOTIATIONS, HAVE EITHER BEEN COMPLETED OR WILL SOON TERMINATE (E.G. THE DOLS FIVE MILLION SUPPORTING ASSISTANCE LOAN). NO NEW ONES WOULD BE IN ORDER NOW.

D. WE SHOULD CONTINUE THE CLOSEST POSSIBLE COOPERATION WITH OUR NATO ALLIES CONCERNING MALTA, BOTH ON THE EMBASSY LEVEL HERE, IN THE NATO CAPITALS MOST CONCERNED, AND ESPECIALLY IN BRUSSELS. THIS WILL BE PARTICULARLY TRUE WITH REGARD TO THE BRITISH AND THE ITALIANS, AND TO A LESSER EXTENT WITH THE GERMANS AND THE FRENCH. THIS IS A SIMPLE MATTER OF SELF PROTECTION, AND THE

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AVOIDANCE OF DOUBLE (OR MULTIPLE) DEALING BY THE MALTESE,
SECRET

WHO ARE PAST MASTERS OF THIS ART.

E. ALTHOUGH PERHAPS WE DO NOT WANT TO GET TOO FAR OUT IN FRONT, IT DOUBTLESS WILL BE NECESSARY FOR THE USG TO TAKE A MAJOR ROLE IN ORCHESTRATING THE NATO STUDY ON "WHITHER MALTA?" OTHERWISE, NATO MIGHT ONCE AGAIN FIND ITSELF IN A CRISIS MANAGEMENT EXERCISE CONCERNING MALTA AND OPEN THE DOOR TO SOME MORE BLACKMAILING TACTICS FROM MINTOFF. WE SHOULD THEREFORE MAKE AN EARLY DETERMINATION OF WHAT OUR MAJOR, LONG-TERM INTERESTS ARE IN MALTA, AND ITS LEVEL OF IMPORTANCE TO NATO IN THE MEDITERRANEAN AREA. IN SHORT, THE FUNDAMENTAL QUESTION REMAINS: HOW MUCH, IF ANYTHING, IS MALTA WORTH TO US? IF NATO'S SOUTHERN TIER REMAINS INTACT, OUR HUNCH IS NOT MUCH, OR AT LEAST NOT AS MUCH AS THE MALTESE THINK.

8. RESOURCES

EMBASSY BUDGETARY AND PERSONNEL RESOURCES ARE ADEQUATE FOR THE ATTAINMENT OF U.S. POLICY OBJECTIVES AND FOR THE CONDUCT OF POST OPERATIONS DURING THE COMING YEAR, WITH THE ELIMINATION OF THE POLITICAL SECTION IN 1974 (ONE OFFICER AND ONE SECRETARY) AND THE ECONOMIC SECRETARY'S POSITION IN 1975, EMBASSY STAFFING IS NOW AT MINIMAL LEVELS FOR EFFECTIVE OPERATIONS. ANY FURTHER REDUCTION IN THE SMALL COUNTRY TEAM IN MALTA WOULD BE UNWISE AND WOULD ADVERSELY AFFECT THE EMBASSY'S ABILITY TO CARRY OUT ITS RESPONSIBILITIES.

9. DEPARTMENT PASS OTHER ADDRESSES AS APPROPRIATE. SMITH
UNQUOTE
KISSINGER

SECRET

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 15 SEP 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL SITUATION, NATIONAL ELECTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 FEB 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE032982
Document Source: ADS
Document Unique ID: 00
Drafter: EUR/WE:JVSMITH
Enclosure: n/a
Executive Order: 11652 XGDS-3
Errors: n/a
Film Number: D760052-1167
From: STATE
Handling Restrictions: n/a
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Line Count: 582
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EUR
Original Classification: SECRET
Original Handling Restrictions: NOFORN
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: NOFORN
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by ElyME>; APPROVED <03 AUG 2004 by ShawDG>
Review Markings:

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Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MALTA - ANNUAL POLICY ASSESSMENT 1976
TAGS: PFOR, PINT, US, MT
To: ALL NATO CAPITALS
USCINCEUR
CINCUSNAVEUR
USDOCOSOUTH
USNMR SHAPE
USLOSACLANT

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Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

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